

## **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International Advanced Subsidiary and Advanced Level

### **MARK SCHEME for the October/November 2015 series**

#### **9706 ACCOUNTING**

**9706/23**

Paper 2 (Structured Questions – Core),  
maximum raw mark 90

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2015 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is the registered trademark of Cambridge International Examinations.

Page 2	Mark Scheme	Syllabus	Paper
	Cambridge International AS/A Level – October/November 2015	9706	23

1 (a)

Anton

Income Statement for the year ended 30 September 2015

	\$	\$
Revenue (10 500 (1) + 153 300 + 9670 (1) + 20 476 (1))		172 946
Less cost of sales		
Inventory at 1 October 2014	24 640	
Purchases		
Less goods for own use (119 690 (1) – 1842 (1))	<u>117 848</u>	
	142 488	
Less Inventory 30 September 2015	<u>(27 200) (1)</u>	<u>115 288</u>
Gross Profit		57 658 (1of)
Less expenses		
Rent (8500 + 2400 – 1500)	9 400 (1) both adj	
Wages	17 800	
Electricity	7 540	
General expenses	4 630	
Depreciation		
– delivery vehicles (20 300 (1) – 1360 (1)) × 20%	3 788 (1of)	
– office fixtures	900	
Delivery vehicle expenses		
(980 + 20 476 (1) – 12 900 – 7200 (1both) – 445)	911 (1)	
Loss on delivery vehicle (9000 – 1800 – 1440(1) – 5400)	<u>360 (1)</u>	<u>45 329</u>
Profit for the year		<u>12 329</u>

[16]

<b>Page 3</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge International AS/A Level – October/November 2015</b>	<b>9706</b>	<b>23</b>

**(b)**

Anton  
Statement of Financial Position at 30 September 2015

	\$ Cost	\$ Acc Dep	\$ NBV	
Non-current assets				
Office fixtures	9 500	900	8 600	(1)
Delivery vehicles	<u>20 300</u>	<u>5 148</u>	<u>15 152</u>	(1)
	<u>29 800</u>	<u>6 048</u>	<u>23 752</u>	
Current assets				
Inventory			27 200	(1of)
Trade receivables			9 670	
Cash			<u>445</u>	
			<u>37 315</u>	
Total assets			<u>61 067</u>	
Capital and liabilities				
Opening capital			40 150	(1)
Add: Profit for the year			<u>12 329</u>	
			52 479	
Less: Drawings: goods			(1 842)	(1 of both)
cash			<u>(7 200)</u>	
			<u>43 437</u>	
Current liabilities				
Trade payables			13 460	
Other payables			2 400	
Bank			<u>(1 770)</u>	(2)
			<u>17 630</u>	
Total capital and liabilities			<u>61 067</u>	

Workings

Opening capital:  $9500 + 15\,700 + 10\,500 + 980 + 24\,640 = 61\,320$

Less  $12\,670 + 1500 + 2\,400 + 4\,600 = 21\,170 = 40\,150$

Closing inventory  $40\,800 / 3 \times 2 = 27\,200$

Delivery vehicles  $15\,700 - 9000 + 13\,600 = 20\,300$  cost

**[8]**

Page 4	Mark Scheme	Syllabus	Paper
	Cambridge International AS/A Level – October/November 2015	9706	23

(c) \$9670 less 750 = 8920 × 4% = 356.80 (1)  
Profit reduced (1) by 750 + 356.80 = 1106.80 (1) [3]

(d) To avoid overstating trade receivables (1)  
To avoid overstating profit for the year (1)  
To apply the prudence concept (1)  
To apply the matching concept (1)  
To reflect the true and fair view (1) [Max 3 marks] [3]

[Total: 30]

2 (a) Income statement for the year ended 31 January 2015

	\$	\$
Revenue		163 400
Add rent received (10400 / 13 × 12)		<u>9 600</u>
		173 000 (2)
LESS		
Insurance (13260 – 6400)	6 860 (1)	
Wages (6500 + 8500)	15 000 (1)	
Rates	9 500	
Provision for doubtful debts (174 to 234)	60 (2)	
Office expenses (28200 – 470)	27 730 (1)	
Depreciation:		
Fixtures and fittings	750 (1)	
Motor vehicles	5 000 (1)	
Computer equipment	<u>1 300 (1)</u>	<u>66 200</u>
Profit for the year		<u>106 800 (1of)</u>
		[11]

Page 5	Mark Scheme	Syllabus	Paper
	Cambridge International AS/A Level – October/November 2015	9706	23

(b)

Current account – Tania

	\$		\$
Int on drawings	350 (1)	Balance	5 000 (1)
Drawings	5 000 (1)	Int on capital	4 900 (1)
Balance c/d	71 068	Salary	17 400 (1)
		Profit share	<u>49 218 (1of)</u>
	<u>76 418</u>		<u>76 418</u>
		Balance b/d	71 068 (1)

[7]

- (c) Depletion, wear and tear, obsolescence, technological advance, usage, time, any other acceptable answer **(1 mark per point)**

**Any 4 to a maximum of 4**

[4]

- (d) Matching – to match costs with income generated.  
Prudence – so as not to overstate profits.  
Consistency – using the same depreciation method.

**Any 2 to a maximum of 4** [1 concept, 1 explanation]

[4]

- (e) Motor vehicles tend to fall in value more in the early years. **(1)** They lose value the minute they are registered for use. Repair and maintenance costs increase as the motor vehicle gets older **(1)**. The straight line method of depreciation depreciates the vehicle at the same amount each year which does not balance up the increasing repair and maintenance costs in later years. **(1)** However, the reducing balance method depreciates the motor vehicle more in the earlier years and less in later years. The reducing balance method therefore depreciates the asset less in later years which balances with the increasing repair and maintenance costs thus providing a fairer matching of costs with income generated **(1)**.

**1 mark to a maximum of 4**

[4]

**[Total: 30]**

<b>Page 6</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge International AS/A Level – October/November 2015</b>	<b>9706</b>	<b>23</b>

**3 (a)**

	Mynor		Hanbridge	
	\$		\$	
Direct materials	9 600	<b>(1)</b>	9 000	<b>(1)</b>
Direct labour	<u>28 800</u>	<b>(1)</b>	<u>27 000</u>	<b>(1)</b>
Total	<u>38 400</u>		<u>36 000</u>	

**[4]**

**(b)**

	Total	Mynor	Hanbridge	Sales and administration	
	\$	\$	\$	\$	
Supervisor's salary	5 900	3 200	2 700	0	<b>(1) row</b>
Rent	12 500	6 250	5 000	1 250	<b>(1) row</b>
Power	6 000	2 400	3 000	600	<b>(1) row</b>
Depreciation	1 000	450	400	150	<b>(1) row</b>
Sales and administration	13 550	0	0	13 550	<b>(1) row</b>
Total	38 950	12 300	11 100		<b>(1of)</b>

**[7]**

**(c)**

	Mynor		Hanbridge	
	\$		\$	
Value per unit	(38 400 + 12 300) = 50 700 <b>(1)</b> 50 700 ÷ 800 = \$63.38 <b>(1of)</b>		(36 000 + 11 100) = 47 100 <b>(1)</b> 47 100 ÷ 600 = \$78.5 <b>(1of)</b>	
Number of units in inventory	100		200	<b>(1of) both</b>
Total value of inventory	\$6 338		\$15 700	<b>(1of) both</b>

**[6]**

**(d)**

Tellwright Limited  
Manufacturing Account for the three months ended 31 March 2015

	\$
Raw materials (9600 + 9000)	18 600 <b>(1of)</b>
Direct labour (28 800 + 27 000)	<u>55 800</u> <b>(1of)</b>
Prime cost	74 400 <b>(1of)</b>
Overheads 12 300 <b>(1of)</b> + 11 100 <b>(1of)</b>	<u>23 400</u>
Cost of production	<u>97 800</u> <b>(1of)</b>

**[6]**

<b>Page 7</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge International AS/A Level – October/November 2015</b>	<b>9706</b>	<b>23</b>

(e)

Tellwright Limited

Income Statement for the three months ended 31 March 2015

	\$	\$	
Revenue	700 × 90	63 000	(1)
	400 × 120	<u>48 000</u>	(1)
		111 000	
Cost of production	97 800		(1of)
Closing inventory (6 338 + 15 700)	<u>22 038</u>		(1of)
Cost of sales		<u>75 762</u>	
Gross profit		35 238	(1of)
Sales and administration costs		<u>15 550</u>	(1of)
Profit for the period		<u>19 688</u>	(1of)

[7]

[Total: 30]